



**Director of
Central
Intelligence**

Top Secret

25

OCO/CE

National Intelligence Daily (Cable)

8 September 1982

Top Secret

CPAS NIDC 82-210C

8 September 1982

Copy 402

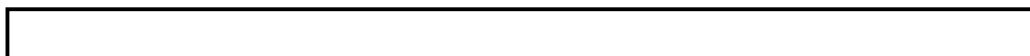
Page Denied

Top Secret



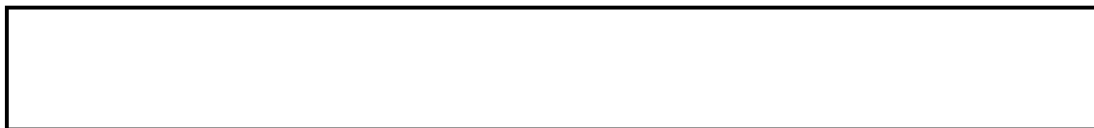
25X

Contents

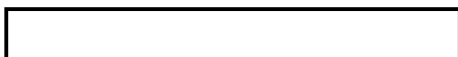


25X

| | |
|---|---|
| Mexico: <i>Delay in IMF Accord</i> | 2 |
| China: <i>Party Congress at Midpoint</i> | 3 |
| China-Africa: <i>Increased Chinese Activity</i> | 4 |
| Warsaw Pact: <i>Shield-82 Exercise</i> | 5 |
| Iraq-Iran: <i>Baghdad Alleges Tankers Sunk</i> | 5 |
| USSR: <i>International Phone Service Cuts</i> | 6 |



25X



Top Secret



25X

25X

Page Denied

Top Secret

25X

MEXICO: Delay in IMF Accord

Mexico City's new interest and exchange rate policies, together with its nationalization of the banks last week, have slowed negotiations with the IMF for a stabilization agreement and will lead to a postponement of talks with commercial bankers for long-term debt rescheduling. [REDACTED]

25X1

Finance Minister Silva Herzog announced on Monday that the recent policy changes will require new consultations with the IMF. He predicted, however, that Mexico would sign a stabilization accord by early November, about three weeks behind its original timetable. International commercial bankers, who agreed to a 90-day standstill on the repayment of \$10 billion in debt principal coming due, still insist Mexico adopt an IMF stabilization program before they rescheduled the debt beyond 21 November. [REDACTED]

25X1

On the domestic front, interest rates paid to banks on business loans on Monday were decreased by 5 percentage points, while mortgage rates for low-cost housing were cut from 34 to 11 percent. Interest paid depositors declined 2 percentage points, and the government announced the rate would fall another 2 percentage points each week for the next four weeks. [REDACTED]

25X1

The new exchange policy pegs the peso at 70 to the dollar and ends the float that had taken the peso to 120 to the dollar when the banks were nationalized. The preferential rate for priority imports and debt service will remain fixed at 50 to the dollar. [REDACTED]

25X1

Comment: The policy initiatives were pushed through by newly appointed Bank of Mexico head Carlos Tello over the objections of Silva Herzog. They will require Mexico City to renegotiate terms of a draft IMF agreement. [REDACTED]

25X1

Business will welcome the lower interest rates and labor may moderate its wage demands, but the new policies will encourage capital flight. The increased government subsidies, higher public-sector deficit, and lower exports caused by these measures will complicate any attempt to restore fiscal balance. [REDACTED]

25X1

Top Secret

25X1

Top Secret

CHINA: Party Congress at Midpoint

The 12th Party Congress thus far has produced few surprises.

The Congress on Monday approved General Secretary Hu Yaobang's work report and a new party constitution. The posts of chairman and vice chairman were abolished, leaving Hu at the apex of the party apparatus.

Contrary to some pre-Congress speculation, the Politburo standing committee--long the most important policy body--and the party central military commission will continue to exist. Their new composition and precise roles, however, have yet to be announced.

China's media report Beijing will launch a major rectification campaign next year by calling in the party cards of some 40 million members over three years. In this way, members will be scrutinized for their loyalty to Deng's policies.

Hu's report avoided any reference to an "international united front" with the US and Japan. He also characterized the Taiwan Relations Act as a "cloud" over the US-China relationship while expressing belief that expanding relations with the US will benefit both countries. Hu repeated standard objections to Soviet forces on China's borders and to the USSR's involvement in Afghanistan and Kampuchea.

Comment: Abolition of the posts of chairman and vice chairman and the impending purge of party ranks will greatly strengthen the chances that Hu will continue the reform policies after Deng is gone. Party conservatives remain well represented on the standing committee, however, and it is not yet clear whether they will be removed from that body. Similarly, the perpetuation of the party military commission despite reformist pressures for change indicates the residual political strength of the military.

Hu's more nationalistic and less ideological approach to foreign policy is consistent with developments over the past year stressing China's commitment to an independent course and shared interests with the Third World. Beijing remains cool to improving relations with Moscow so long as the Soviets continue to practice "hegemonism" toward China.

Top Secret

Top Secret

25X

CHINA-AFRICA: Increased Chinese Activity

Beijing is renewing military aid to several African states and recently has tried to improve relations with some pro-Soviet regimes to promote a more flexible and active foreign policy.

25X

//Over the last few months, the Chinese have signed agreements to supply military equipment and spare parts to Zaire and Zambia and to renew a previously canceled training program with the Somali Air Force. In the past year, Beijing also has provided new military aid and advice to Rwanda, Burundi, and several West African countries.//

25X

//Beijing also has shown flexibility in contacts with Soviet clients in Africa. For example, the Chinese have hinted to the Angolans that economic aid would follow the establishment of diplomatic relations. In addition, the Chinese are interested in improving relations with Ethiopia and reacted favorably to a recent request from Mozambique for small arms.//

25X

Comment: China's offers of modest amounts of military aid on generous terms modify a decision of 1980 to provide military supplies to Africa on a cash and carry basis. China wants these programs to provide a limited alternative to Soviet assistance, to allow it to capitalize on any frictions between the USSR and its clients, and to show that it will help meet local military needs when they arise. Beijing, however, cannot compete with the scale of Soviet arms programs and has shown no inclination to try.

25X

Top Secret

25X

Top Secret

WARSAW PACT: Shield-82 Exercise

The Soviets on Friday announced plans to conduct a weeklong field exercise in Bulgaria and on the Black Sea beginning 25 September. [REDACTED]

Comment: //The announcement was timed to comply with the terms of the Helsinki Accords, which call for a 21-day notification of field exercises involving 25,000 or more troops near the territory of signatory nations. The activity will be the first field exercise in Bulgaria in which a substantial number of Soviet troops [REDACTED] will participate. Soviet, Czechoslovak, Hungarian, and East German troops will have to be moved across the Black Sea to Bulgaria because Romania does not allow the transit of foreign combat troops. The move of a large force across these waters also may be intended to test the Pact's reinforcement planning for operations in the Balkans against NATO's Southern Flank.// [REDACTED]

IRAQ-IRAN: Baghdad Alleges Tankers Sunk

//Iraq claims its aircraft attacked Khark Island yesterday and sank four ships in the Persian Gulf on Friday, including two oil tankers en route to Iran's export facility at Khark Island. [REDACTED]

[REDACTED] Ankara, meanwhile, has confirmed that a Turkish cargo ship was sunk off the Iranian port of Bandar-e Khomeini during the weekend.// [REDACTED]


Top Secret

Top Secret




25X

USSR: International Phone Service Cuts

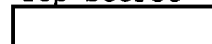
The USSR over the weekend drastically reduced direct dialing service for incoming calls from the US, Western Europe, and Japan. The only exceptions are foreign embassies and "trade missions" in Moscow. Telex and International Telegraph Service communications reportedly remain normal. The decision to limit incoming calls--allegedly to facilitate technical repairs--was not reported in the Soviet media. 

25X

Comment: //This latest move follows the severe cut-back in July of direct dialing to the West. It is presumably intended to improve monitoring and control over telephone contact between Soviet citizens and foreign callers, particularly emigres. According to AT&T officials, the reductions will cost the Soviets hard currency.//


25X

Top Secret



25X

Page Denied

Next 1 Page(s) In Document Denied

Top Secret

25X

Top Secret